

# Statement of Intent on Energy Policy



Committee for the  
Environment & Infrastructure

## Statement of Intent on Energy Policy

Over the past 12 months, work with the community, industry, regulatory bodies and other jurisdictions has been progressing to develop a long-term strategic energy policy for Guernsey.

Following an iterative consultation process including stakeholders and other Committees of the States, this Statement of Intent sets out the current position on the long-term strategic energy policy and what will be done next.

### **Background**

Through the Policy & Resource Plan, the States has agreed that the formulation of an Energy Policy for Guernsey is one of its highest priorities.

The Committee *for* the Environment & Infrastructure recognises that the energy market is significantly and rapidly changing and there is, therefore, a need to provide the necessary direction to respond to and manage this situation.

In addition it will be important for Guernsey to look to the long-term with regard to reducing emissions, maintaining security and resilience of fuel supplies and infrastructure investment. That is why the Energy Policy will take a 30-year view.

There are many local elements that will influence the formulation of the policy. These include: maintaining security of energy supply, and reducing the risk of sudden changes in the market affecting energy availability; our reputation within the global market; the development of green finance expertise in Guernsey's finance sector; current hydrocarbon delivery vessels nearing end of life; and enabling opportunities for economic growth of Guernsey's renewable energy sector.

Technological, social and policy/regulatory influences have driven significant change in the global energy market. Examples include:

- Adoption of emissions targets (Kyoto to 2012, Doha amendment to 2020, Paris agreement from 2020);
- Countries, states and cities announcing measures to reduce the use of petrol and diesel vehicles (such as bans on their production, sale, import or use, the establishment of low emission zones and Fossil Free Street declarations)
- Significant technological advances in battery storage capabilities;
- A significant reduction in cost of some renewable energy sources to parity or near parity.

These external influences have driven a fundamental change and new market realities have appeared to which energy providers must adjust. The impact of these are causing changes in car manufacturing, a shift from centralised to de-centralised electricity generation, changes to infrastructure requirements and changes to business models.

## Research and ongoing work

In order to inform policy around the energy transition, research into our energy demand forecast, energy infrastructure options, competition analysis, tax options and the export of electricity has been carried out during 2018-19.

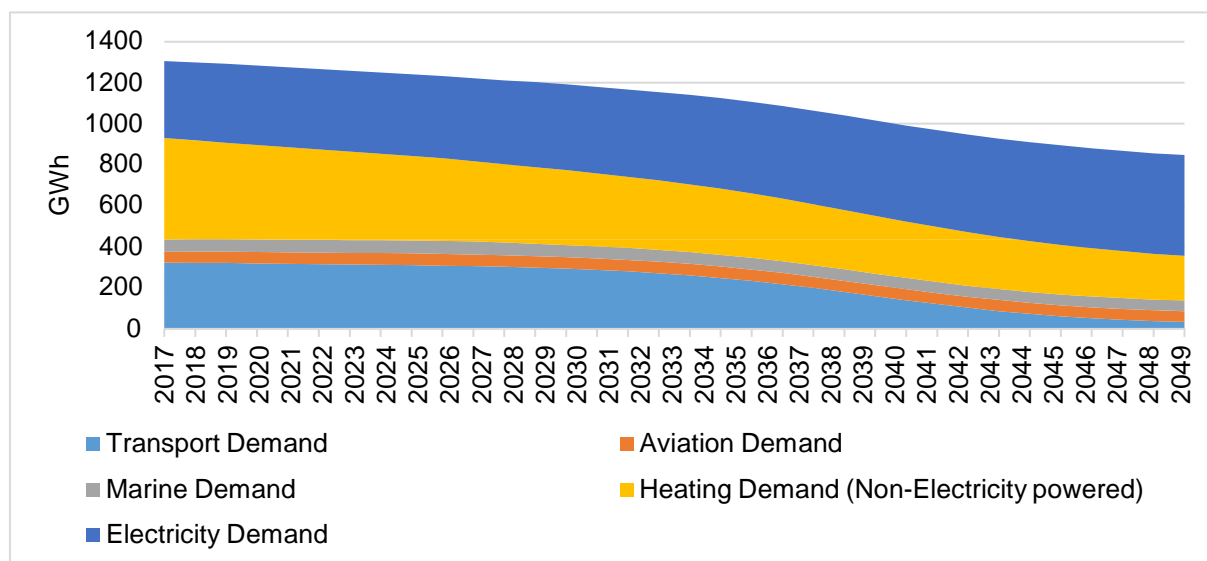
Guernsey's present day energy mix consists primarily of:

- Electricity generated off-island from renewable (hydroelectric) and nuclear energy sources, and imported from France via Jersey by interconnector;
- Electricity generated on-island using hydrocarbon fuels (heavy fuel oil or liquefied petroleum gas) imported by sea;
- Electricity generated on-island, on a domestic and small scale commercial basis, from renewable sources;
- Hydrocarbon fuels including transport fuels, kerosene, and mains and cylinder gas, all of which are imported by sea; and
- Solid fuels such as wood and coal, imported by sea.

Over the next 30 years, predictions indicate that demand for electricity will increase from 29% of all energy consumption on the island to 58%, **assuming no policy direction is given**.

This indicates the scale of the adaption required in the market place and the change for consumers. The chart below pictorially details the energy demand forecast to 2050.

Notably, energy consumption overall is forecast to reduce by 35%.



These forecast changes are driven by external forces (i.e. they are not caused by or dependent on any potential policy directions issued by the States of Guernsey) and will have a significant impact on energy security and tax revenue generated by fuel duty. .

Guernsey imports up to 85% of its electricity supply from France via interconnection with Jersey. If this system is unexpectedly disrupted, as was the case in 2012 and 2018, the vast majority of Guernsey's electricity demand is satisfied using on-island generation. Not only is

this more expensive, requiring large fuel stocks, but it also increases environmental pollution, which reduces the island's ability to meet emissions targets.

Establishing the cable link is the single most significant decision Guernsey has taken to enable reduction in emissions, but our increasing reliance on electricity affects the way in which supply must be secured. Maintaining energy security across the energy mix throughout this transition is a core policy objective. Establishing measures to ensure a level of hydrocarbon security is equally important during the transition as reducing volumes will affect the market dynamics.

To that end the Committee will be proposing an energy policy that will include emissions targets and internal combustion engine restrictions (in line with other jurisdictions) to enable the energy sector to make sound investment decisions in infrastructure to support the transition. A clear policy direction and regulatory framework will help to provide a comprehensible context for providers in sectors related to energy.

Guernsey also needs to ensure that the delivery of its long-term energy policy is aligned with the principles of the World Trade Organisation.

### **Consultation and engagement**

Industry consultation and engagement has taken place throughout the development of energy policy. This work commenced with a workshop with the Committee for the Environment & Infrastructure at which representation was made from a wide and varied number of organisations and businesses with an interest in energy.

From the workshop, the Energy Forum was formed. Insights from its regular meetings informed the iterative development of the energy policy. A targeted consultation on the draft proposals has recently taken place and the responses are being carefully evaluated. Further work is likely to be required in order to put forward a 30-year energy policy which sets a platform to achieve the desired policy outcomes.

### **Policy outcomes**

Four pillars have been developed with stakeholders to underpin the energy policy:

- **Decarbonisation** - manage and support change in the energy market in line with global efforts to reduce emissions;
- **Security** - allow for an open energy market with all suppliers having shared responsibility for security;
- **Affordability** - facilitate a competitive energy supply market using shared critical infrastructure as appropriate; and
- **Growth of renewables** - establish a secure supply platform as an enabling factor for the growth of renewable technologies.

## **Policy initiatives**

In order to deliver this, the following initiatives are being considered:

- Ensuring that long-term investment decisions are in line with decarbonisation;
- Management of the transition from hydrocarbons to electricity;
- Setting and achieving an emissions target – net zero by no later than 2050;
- Establishment of new infrastructure such as electric vehicle charging points, solar PVs, interconnection, battery storage;
- Maintaining security and resilience of supply in a changing global energy market;
- Removing barriers to on-island low carbon generation through proportionate regulation and licensing;
- Encouraging investment in the development of renewables and removing barriers to competition and investment;
- Consolidating infrastructure to avoid inefficiency in distribution and storage; and
- Ensuring Guernsey is aligned with international standards and is able to meet its obligations.

## **Wider policy considerations**

It is noted the Energy Policy will directly interact with a number of existing and under development policies, plans, strategies and work streams across the States.

These include:

- The Climate Change Policy and Action Plan
- The Long-Term Infrastructure Investment Plan
- The Hydrocarbons Supply Programme
- The Island Development Plan
- The Integrated Transport Strategy
- The Economic Development Strategy – including renewable energy

The Committee will be ensuring that policy development has due consideration of the overarching strategic objectives of the States.

## **Next Steps**

Further work is being undertaken with industry and the regulator to ensure that the policy decisions required are evidence-based and achievable, and compatible with regulatory and social and environmental commitments. This will inform the policy letter that will come to the States of Guernsey for approval in 2020 – before the end of this term – setting out the policy outcomes and the decisions required to deliver those outcomes.